

UNITED STATES DISTRICT COURT  
WESTERN DISTRICT OF WASHINGTON  
AT TACOMA

A.G. DESIGN & ASSOCIATES, LLC, a  
Washington Limited Liability Company,  
Plaintiff,

v.

TRAINMAN LANTERN COMPANY, INC.,  
a Washington Corporation, d/b/a  
AMERICAN LANTERN COMPANY, INC.;  
AMERICAN LANTERN, INC., a Foreign  
Corporation; MARCUS MUKAI, individually  
and as a marital community with JANE DOE  
MUKAI; . SCOTT MUKAI; and JOHN DOE  
DEFENDANTS 1 THROUGH 10 ,  
Defendant.

Case No. C07-5158RBL

ORDER GRANTING SUMMARY  
JUDGMENT IN PART AND DENYING  
SUMMARY JUDGMENT IN PART

This matter is before the Court on a motion by Defendants', Trainman Lantern Company (T.L.C.), Marcus Mukai, and G. Scott Mukai (Mukai brothers) for summary judgment on all of Plaintiff's claims. For the reasons set forth below, motion is GRANTED in part and DENIED in part.

**I. Introduction**

Plaintiff A.G. Design & Associates (A.G.), LLC, brought this suit against Defendants on March 30, 2007. The only remaining causes of action are: trade dress infringement, breach of contract, misappropriation, conversion, unfair competition, tortious interference and violation of the Consumer Protection Act<sup>1</sup>.

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<sup>1</sup>Plaintiff's patent infringement claim has already been dismissed via summary judgment by the Court [Dkt #143].

1 In 2000, A.G. hired Pulse Power to develop rechargeable batteries for the Trainman Lantern [Dkt.  
2 #6; 13; 14]. Defendant Marcus Mukai was then an employee of Pulse Power and became acquainted with  
3 Plaintiff in that manner. Mr. Mukai was interested in A.G. and became a sales representative on April 1,  
4 2003, by entering into a non-exclusive sales representative agreement with A.G. (the April 1 Agreement)  
5 [Dkt # 6, 13] The April 1 Agreement contained both a non-disclosure covenant and a three-year covenant  
6 not to compete. [Dkt. #6, Ex., B]. The Court has already determined that the April 1 Agreement is a valid  
7 and enforceable contract [Order, Dkt. #148].

8 On August 12, 2003, the Mukai brothers expressed an interest in purchasing A.G. The Mukai  
9 brothers incorporated Defendant Trainman Lantern Co. (T.L.C.) to facilitate the purchase. *Id.* A.G. and  
10 T.L.C. executed a Letter of Intent (L.O.I.) on August 12, 2003, for the sale of A.G. to T.L.C. [Dkt. #197,  
11 Ex. B.]. Similar to the April 1 Agreement, the L.O.I. contained confidentiality provisions which the  
12 Defendants agreed to. *Id.* On February 25, 2004, the Mukai brothers delivered a letter to A.G. changing,  
13 among other terms, the purchase price for the proposed asset purchase [*Id.*, Ex. E.]. A.G. Design rejected  
14 the new terms of the February 25th letter and informed T.L.C. that it was no longer pursuing the asset  
15 purchase deal.

16 Both A.G. and T.L.C. continued doing business after the proposed asset purchase fell through.  
17 T.L.C. continued to exist and later that year began researching the possibility of manufacturing its own  
18 lantern known as the M2K [Dkt. #145]. T.L.C. actively entered the railroad lantern business in October  
19 2006 [Dkt. #138]. Likewise, A.G. Design continued selling its lantern, as it had prior to the L.O.I. A.G.  
20 Design received a patent for its lantern on August 7, 2006 [Dkt. #15-4], and subsequently brought suit  
21 against the Defendants on March 30, 2007 [Dkt. #1].

## 22 II. Discussion

23 Summary judgment is only appropriate when no genuine issue of material fact exists, and when  
24 the moving party is entitled to judgment as a matter of law. *See Anderson v. Liberty Lobby, Inc.*,  
25 744 U.S. 242, 247-48 (1986); Fed. R. Civ. P. 56. When viewing the facts, all reasonable  
26 inferences must be drawn in favor of the non-moving party. *Matsushita Elec. Indus. Co. v. Zenith*  
27 *Radio Corp.*, 475 U.S. 574, 587 (1986). The non-moving party's bare assertion of a dispute is  
28 insufficient to create a material issue of fact and defeat summary judgment. *Anderson*, 477 U.S.  
at 247-48; *Dubois v. Ass'n of Apt. Owners*, 453 F.3d 1175, 1180 (9th Cir. 2005). In other words,

1 “summary judgment should be granted where the nonmoving party fails to offer evidence from which a  
2 reasonable [fact finder] could return a [decision] in its favor.” *Triton Energy Corp. v. Square D Co.*, 68  
3 F.3d 1216, 1221 (9th Cir. 1995).

#### 4 **A. Trade Dress Claim**

5 In its response to Defendants’ motion to dismiss Plaintiff’s trade dress claim, Plaintiff did not  
6 oppose dismissal. Therefore, pursuant to FRCP Rule 15(a), the claim is dismissed and summary judgment  
7 on this claim is hereby GRANTED.

#### 8 **B. Breach of Contract**

9 Plaintiff complains of two distinct breaches of contract. First, Plaintiff claims that Defendants  
10 breached the April 1, 2003 Agreement [Dkt. #133]. Second, Plaintiff claims that Defendants breached the  
11 L.O.I. when they failed to comply with the confidentiality provisions set forth therein. *Id.*

12 Defendants seek dismissal of Plaintiff’s breach of contract claim and argue that they did not breach  
13 the April, 1, 2003 Agreement. Defendants contend that Mr. Mukai reasonably relied on an email from  
14 A.G. dated September 16, 2004, in understanding that there was no such valid agreement between the  
15 parties [Dkt. #207]. The email states that the April 1, 2003 Agreement was “never signed or put into  
16 affect” *Id.* However, the Court has already held that the April 1, 2003 Agreement is a valid contract  
17 [Order, Dkt. #148]. Because the Court has ruled that the April 1, 2003 Agreement was indeed valid,  
18 Defendants’ arguments for dismissal on this issue are rejected.

19 Defendants fail to address Plaintiff’s claim of breach of contract as it pertains to the L.O.I.’s  
20 confidentiality provision. Defendants offer no evidence supporting a dismissal of Plaintiff’s claim for  
21 breach of the confidentiality provision in the L.O.I. Because Defendants failed to establish an absence of  
22 an issue of material fact, summary judgment on this issue is DENIED.

#### 23 **C. Misappropriation**

24 Defendants seek dismissal of Plaintiff’s misappropriation claim. Plaintiff claims that Defendants  
25 misappropriated trade secrets by misusing two distinct sets of information which it acquired through its  
26 contractual relationship with A.G. First, Plaintiff claims that Defendants acquired A.G.’s confidential  
27 customer lists to compete directly against A.G. [Dkt. #212]. Second, Plaintiff claims that Defendants  
28 copied A.G.’s lantern design in developing their own lantern to compete with A.G.’s.

The Uniform Trade Secrets Act provides a statutory cause of action for misappropriation of a trade

1 secret. RCW 19.108.010 *et seq.* The act's purpose is to "maintain and promote standards of commercial  
2 ethics and fair dealing in protecting [trade] secrets." *Nowogroski Insurance, Inc. v. Rucker*, 137 Wn.2d  
3 427, 438, 971 P.2d 936 (1999). Misappropriation is "disclosure or use of a trade secret of another without  
4 express or implied consent by a person who...acquired [information] under circumstances giving rise to a  
5 duty to maintain its secrecy or limit its use." *Id.* The definition of "trade secret" is a matter of law, but  
6 whether specific information in a given case is a trade secret is an issue of fact. *Nowogroski Insurance,*  
7 *Inc.*, 137 Wn.2d at 436. A trade secret is reasonably protected information, including a pattern or design,  
8 that derives independent economic value from not being generally known to another who could use it for  
9 his own economic value. "[W]hether a customer list is a protected trade secret depends on three factors:  
10 (1) whether the list is a compilation of information; (2) whether it is valuable because it is unknown to  
11 others; and (3) whether the owner has made reasonable attempts to keep the information secret." *Id.* at  
12 442.

13 A.G.'s customer lists qualify as a trade secret. Element one is met because the customer list is a  
14 compilation of information about A.G.'s customers. Element two is met because the information's value is  
15 at least slightly derived from its unavailability to others. While there are only a finite number of railroad  
16 customers discoverable by T.L.C., there are many other customers on the list which would not be easily  
17 ascertainable by other means. Knowing of A.G.'s other potential customers that may be in the market for a  
18 trainman lantern may likely increase sales of T.L.C.'s lanterns. Finally, element three is met by A.G.'s  
19 continued inclusion of confidentiality provisions in both the April 1, 2003 Agreement and the L.O.I., both  
20 of which may have exposed Mr. Mukai to the customer lists.

21 There is sufficient evidence supporting a material issue of fact over whether the customer lists were  
22 misappropriated. Plaintiffs claim that Defendants had access to the customer lists under both the April 1,  
23 2003 agreement and the L.O.I., and that they may have misused the confidential information in marketing  
24 their product [Dkt. #212]. Defendants fail to dispute this allegation and as such their motion for summary  
25 judgment dismissing the Plaintiff's misappropriation claim is DENIED.

26 A.G.'s lantern design qualifies as a trade secret. The design has provided substantial profits for  
27 A.G. over the years including \$846,838.00 in 2003 [Dkt. #212]. The value of the unique lantern design  
28 itself is supported by the fact that it was eventually patented in 2007. There is a material issue of fact as to  
whether A.G.'s lantern design was misappropriated by T.L.C. Defendants claim that they independently

1 developed their lantern without using any of A.G.'s confidential information [Dkt. #207]. Plaintiff claims,  
2 and offers expert opinion to support, that Defendants used A.G.'s design in developing their own lantern to  
3 compete with A.G.'s Official Trainman Lantern [Dkt.#212]. Specifically, Plaintiff claims that Defendants  
4 copied the "primary light source, secondary light source, outer reflective surface, body and transparent  
5 housing...[from]...the Official Trainman Lantern." *Id.* Because evidence establishes a material issue of fact  
6 over whether A.G.'s lantern design was misappropriated, Defendants' motion for summary judgment on  
7 this issue is DENIED.

#### 8 **D. Conversion**

9 Defendants seek dismissal of all of Plaintiff's claims but do not specifically address Plaintiff's  
10 conversion claim. Plaintiff argues that evidence supports maintaining its conversion claim at trial. Because  
11 there is a material issue of fact, Defendants' motion for summary judgment on this issue is DENIED.

12 "Conversion is the unjustified, willful interference with a chattel which deprives a person  
13 entitled to the property of possession." *In re Marriage of Langham*, 153 Wn.2d 553, 564, 106 P.3d 212  
14 (2005), citing *Meyer Way Dev. Ltd. P'ship v. Univ. Sav. Bank*, 80 Wn. App. 655, 674-75, 910 P.2d 1308  
15 (1996), review denied, 130 Wn.2d 1015, 928 P.2d 416 (1996). A chattel is an article of personal property;  
16 it includes tangible goods or intangible rights. *In re Marriage of Langham*, 153 Wn.2d at 564. Good faith  
17 is irrelevant in a conversion action. *Id.* at 566.

18 Plaintiff contends, and Defendants fail to offer evidence to the contrary, that Defendants converted  
19 A.G.'s customer lists and lantern design [Dkt. #212]. The April 1, 2003 Agreement required Marcus  
20 Mukai to return all materials in his possession related to A.G.'s business. [Amended Complaint, Dkt. #133,  
21 Ex. B]. However, Mr. Mukai retained copies of hundreds of pages of documents pertaining to A.G.'s  
22 marketing, advertising and business operations which he kept for over one year [Dkt. #121]. This evidence  
23 supports A.G.'s claim for conversion and creates a genuine issue of material fact that precludes dismissal.

#### 24 **E. Unfair Competition**

25 Defendants seek dismissal of all of Plaintiff's claims but do not specifically address Plaintiff's unfair  
26 competition claim. Unfair competition suits between private parties are supported by the common law of  
27 Washington state. *Seaboard Sur. Co. v. Ralph Williams' Northwest Chrysler Plymouth*, 81 Wn.2d 740,  
28 745, 504 P.2d 1139 (1973). No bright line test has been established to identify what constitutes unfair  
competition. Instead, the facts of each case are determinative of whether a claim of unfair competition is

1 available to the plaintiff. *Olympia Brewing Co. v. Northwest Brewing Co.*, 178 Wash. 533, 35 P.2d 104  
2 (1934). Ultimately, the main inquiry centers on whether the public is likely to be deceived by the conduct.  
3 *Id.*

4 Plaintiff argues that the unfair conduct perpetrated by the Defendants ultimately led to deception of  
5 A.G.'s customers [Dkt. #212]. Plaintiff claims that Defendants gained access to its proprietary and  
6 confidential information by signing the L.O.I. and April 1, 2003 Agreement, only to later use that  
7 information to develop their own similar lantern. *Id.* Plaintiff further claims that by using its customer  
8 lists, the Defendants sought to deceptively market their lantern to A.G.'s customers. *Id.* Defendants offer  
9 no evidentiary support for dismissal of this claim. Because a genuine issue of material fact exists precluding  
10 dismissal, Defendants' motion for summary judgment on this issue is DENIED.

#### 11 **F. Tortious Interference**

12 Defendants seek dismissal of Plaintiff's claim for tortious interference with its business expectancy.  
13 Plaintiff argues that there is evidentiary support for the claim. A party claiming tortious interference with a  
14 business expectancy must produce evidence satisfying five elements in order to survive summary judgment:  
15 (1) the existence of a valid business expectancy; (2) that defendants had knowledge of that expectancy; (3)  
16 an intentional interference inducing termination of the expectancy; (4) that defendants interfered for an  
17 improper purpose or used improper means; and (5) resultant damage. *Leingang v. Pierce County Med.*  
18 *Bureau, Inc.*, 131 Wn.2d 133, 157, 930 P.2d 288 (1997).

19 Plaintiff satisfies element one by producing evidence showing that in 2003 it had four Class I  
20 railroads as customers [Dkt. #212]. During the time period in which Plaintiff claims tortious interference,  
21 all but one of those customers have been lost. Plaintiff's valid business expectancy was to retain most if  
22 not all of its Class I customers; however, it now sells to only one Class I railroad.

23 Plaintiff satisfies element two by producing evidence that Marcus Mukai, while a sales  
24 representative for A.G., knew of A.G.'s Class I customers and that he knew that A.G. was soliciting  
25 Canadian National.

26 Plaintiff satisfies element three by producing circumstantial evidence that Mr. Mukai may have  
27 knowingly and intentionally interfered with A.G.'s business expectancy when he met with CN's purchasing  
28 agent (Nick Lesey).

Plaintiff satisfies element four by producing circumstantial evidence that Mr. Mukai used his

1 position as an A.G. representative to deter potential A.G. customers, namely Mr. Lesey. Plaintiff alleges  
2 that Mr. Mukai besmirched A.G. when he was trusted with acting as the representative of A.G. to CN. If  
3 proven to be true, the improper means element may be satisfied based on the implied duty owed by Mr.  
4 Mukai to A.G. while acting in a representative capacity.

5 Finally, Plaintiff produces evidence that as a result of the alleged interference, A.G. suffered more  
6 than \$1,000,000.00 in damages [Dkt. #212].

7 Again, Defendants offer no evidentiary support for dismissal of this claim. Because a genuine issue  
8 of material fact exists precluding dismissal, Defendants' motion for summary judgment on this issue is  
9 DENIED.

#### 10 **G. Consumer Protection Act Claim**

11 Defendant seeks dismissal of Plaintiff's claim for Consumer Protection Act violation. Because  
12 Plaintiff fails to produce evidence supporting a prima facie case for its claim, Defendants' motion for  
13 summary judgment is GRANTED.

14 In order for Plaintiff's Consumer Protection Act claim to survive a summary judgment challenge,  
15 there establish at least a disputed issue of material fact for all five of the following elements: (1) an unfair  
16 or deceptive act or practice; (2) occurring in trade or commerce; (3) public interest impact; (4) injury to  
17 plaintiff in his or her business or property; and (5) causation. *Hangman Ridge Training Stables, Inc. v.*  
18 *Safeco Title Ins. Co.*, 105 Wn.2d 778, 780, 719 P.2d 531 (1986).

19 Element one dealing with deception is satisfied based on the fact that Marcus Mukai was employed  
20 by A.G. at the same time he was developing his own competing lantern. Drawing inferences most  
21 favorably to A.G., the Court may infer that Mr. Mukai used A.G.'s confidential and proprietary  
22 information in actually developing its own lantern.

23 Element two is easily satisfied as Plaintiff produces abundant evidence showing both a decrease in  
24 A.G.'s sales [Dkt. #212] and efforts by T.L.C. to market their lanterns in interstate commerce [Dkt. #177,  
25 Ex. C.].

26 Element four is satisfied as Plaintiff produces evidence showing financial losses of \$490,047.00  
27 since 2003 [Dkt. #212]. Element five dealing with causation is also satisfied. There is circumstantial  
28 evidence supporting the inference that Mr. Mukai may have tampered with the relationship between CN  
and A.G., causing at least some of the claimed financial injuries experienced by A.G. since 2003.

1 Plaintiff's Consumer Protection Act claim fails on element three as a matter of law. Consumer  
2 Protection Act claims between private parties have no public interest impact unless the plaintiff can  
3 produce evidence showing a likelihood that additional persons have been or will be injured in the same  
4 fashion. *Goodyear Tire & Rubber Co. v. Whiteman Tire, Inc.*, 86 Wn. App. 732, 744-45, 935 P.2d 628,  
5 635 (1997). While the Plaintiff produced evidence that the lantern was marketed to the general public on  
6 the T.L.C. website, it failed to produce any evidence of an injury to the public. There is no evidentiary  
7 support that any additional persons, outside of A.G. Design, were ever injured. In fact, Plaintiff correctly  
8 points out that "[D]efendants conceded that they have not sold *any* lanterns" [Dkt. # 210]. If no lanterns  
9 were actually sold to the public, then it is difficult to understand how public interest was affected by this  
10 otherwise private dispute between parties. There is also no evidence supporting Plaintiff's contention that  
11 additional persons will be affected by T.L.C.'s actions in the future. Because there is no issue of material  
12 fact regarding the public interest element, Defendants' motion for summary judgment on this claim is  
13 GRANTED.

### 14 III. Conclusion

15 Neither party opposes dismissal of the trade dress claim. Therefore, Defendants' motion for  
16 summary judgment on this issue is GRANTED. Plaintiff failed to establish a prima facie case for its  
17 Consumer Protection Act claim; therefore, summary judgment on this issue is also GRANTED. Because  
18 Defendants fail to establish an absence of a material issue of fact for any other claims, summary judgment is  
19 DENIED on all remaining claims.

20 Dated this 30<sup>th</sup> day of January, 2009.

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23 RONALD B. LEIGHTON  
UNITED STATES DISTRICT JUDGE  
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